3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

International Settlement after the outbreak of Pacific hostilities in December 1941. Under the extra-territorial system foreign residents were subject to the laws of their own country and tried in consular courts. Russia relinquished her rights in 1924; Germany and Austria lost theirs in the war 1914-18.

On December 8, 1941 when Japan attacked Great Britain and the United States, the Shanghai Municipal Council agreed to carry on its functions in the interest of the civilian population. At the close of the year, however, the resignations of American, British and Dutch members of the Council were requested. The British chairman was replaced by a Japanese chairman. In the eyes of the Japanese authorities the agreement reached earlier in the year as to the composition of the Council remained in force, but was considered suspended. The places of resigning members were not filled. The Council carried on with four Chinese, three Japanese, one German and one Swiss member. The international character of the Council was technically preserved.

The free exercise of authority by the Council was, however, restricted. During the first eight months of Japanese occupation more than 80 senior British police were replaced by Japanese, and Japanese came to occupy also the ranking posts in the Secretariat, in the Public Health Department and in the Industrial and Social Division. No major question could be decided by the Council without reference to the Japanese authorities, and, further, the Council was given instructions by the Japanese which it had to carry out. In short, while pursuing its normal municipal functions unhampered, it began to be an instrument of Japanese occupying forces.

IT IS CLEAR THAT in a city whose administrative controls have been so divided there would be complications in the carrying out of the most elementary administrative tasks. For many years the dominant feature of Shanghai was its administrative disunity. The absence of plenary powers on the part of the Settlement at any rate created peculiar difficulties in dealing with problems inherent in large cities.

The authority of the Shanghai Municipal Council derived from the Land Regulations drawn up in 1854 and from Byelaws attached thereto. Later alterations did something to widen initial provisions,

2: Murphy G-4 (no date) 1953 AF15 East China AF15

morality for the laxity and easy virtue which some Shanghai residents thought would prove a match even for the Peoples' Government.*

Another element which made life in Shanghai exciting, lawless, and profitable for the foreigners was the periodic flooding of the city by refugees from civil disorder in China. Shanghai was a tiny island of relative security at such times, where the presence of foreign consuls and troops and the quasi-independent status of the foreign settlements attracted large numbers of Chinese within its borders. The first great influx occurred at the time of the Taiping Rebellion (1850–1864), during which a local uprising of the Triad Society in 1853 and 1854 connected with the Rebellion virtually surrounded Shanghai, and even penetrated the Settlement until the troops were expelled by the foreigners. There were about 500 Chinese residents of the foreign settlements in 1852, 20,000 in 1854, and 500,000 in 1864.[9] Fortunes were made and lost in real estate and general speculation as the tide of refugees flowed and ebbed in response to the progress of hostilities in the Yangtze delta. Chinese capital from the hinterland also gravitated to the protection of the foreign settlements and added more fuel to the speculative blaze.

> Legitimate (sic) business of all kinds received a great stimulus upon the expulsion of the Triads from the city, and a period of feverish and well-nigh fatal speculation set in. The price of land inside the Settlement and even without went up to an enormous pitch as thousands of wealthy Chinese from all sides flocked into the place for the security it offered. . . Great tracts of land were hastily built over with cheap shanties by the foreign speculators, who reaped a golden harvest. . .[10]

Land within the Settlements which sold for an average of £50 an acre in 1852 sold for an average of £10,000 in 1862. In 1862, for the first time since it had been built, the race course, pride of the Settlement, was idle. The foreigners were too busy to hold the races, and in the next year the race course was sold for tenement construction for twenty times its original price.† [11]

* The *China Monthly Review* records in its issue for January 1952 (p. 96) that at the time of the Communist take-over in May 1949 there were 800 brothels in Shanghai, which by November 1951 had been reduced to 71. In the latter month these were closed, and the 500 inmates sent to a special reorientation and training school, in accordance with the pattern established earlier in north China.

† Part of the proceeds was used to buy a new tract for a race course farther out

2: Murphy G-4 (no date) 1953 AF15 East China AF15

This pattern was repeated in most of its details whenever trouble threatened in China, as it did for example in 1884–85 (war between France and China), 1900 (the Boxer Uprising), 1911 (the republican revolution), 1915–18 (the first world war and Japanese intervention in Shantung), 1926–27 (the northern campaign of the Kuomintang), 1932 (Japanese attack on Shanghai), and most of the period of anti-Japanese and civil war from 1937 to 1949. It of course affected the economic life of the city in fundamental fashion, and understandably speculation flourished. It also meant that the foreigners lived in a state of some uncertainty and insecurity, since what brought the city prosperity could also destroy it. A foreign resident complained about this in a letter to the editor of the *North China Daily News* (published in Shanghai) which was printed the day before the Japanese attack on Shanghai in 1937, in a sense the last day of foreign Shanghai's existence:

> Since I arrived in Shanghai some seventeen years ago I have been under arms as a member of the Volunteer Corps on a dozen different occasions in defense of the Settlement. Always these occasions have meant a cessation of business, a period of anxiety and possible danger, and no benefit to us as a community. 'Old stagers' of the mud-flat days will smile when one talks to them on the subject and say they have got used to the idea, but are we content to see this sort of thing continue indefinitely? We should organize ourselves as a community . . . that will enable us to have a more normal life. It is time the old idea that foreigners come to Shanghai for a few years and then go away with a fortune was abandoned. This is a place of permanent residence for most of us and we have a right to demand that same freedom and security which is the common possession of all civilized countries. . .[12]

The city's population, swollen periodically with refugees, was also an excellent source of cheap labor and an opportunity, or invitation, for labor abuses, especially after manufacturing became an important factor in the Shanghai economy during the twentieth century. The refugees had no bargaining power and lived in universal privation. Their presence in the labor force helped to account for the fact that factory conditions, wages and hours, and industrial

Slums were as acutely bad in Shanghai as anywhere else in the world.

from the center of town. The present Communist administration has turned the race course, symbol of the foreign occupation, into its chief parade ground.

2: Murphy G-4 (no date) 1953 AF15 East China AF15

of Shanghai's rice consumption of something like one billion pounds over the year as a whole. The supply situation was determined by price, and foreign rice was imported not necessarily because local rice was unobtainable but because its Shanghai price at certain periods rose considerably above the Shanghai price of foreign rice.

The price problem posed by the hiatus in local supply during the planting season might have been overcome without bringing in foreign rice, by carefully planned advance buying and by distributing price fluctuations for local rice more widely over the year as a whole. This solution was theoretically in the power of the Shanghai rice merchants, and it has since been applied at least to a degree by the Communist Government (see Chapter Eleven). But it is doubtful whether Shanghai could have existed without foreign rice imports during the periods of civil war and floods which disrupted its water connections with the producing areas. At such times, a high enough price in Shanghai could presumably have attracted to the city from the local areas adequate rice to feed its population despite the difficulties and dangers of water transport, but workers' families and other low-income groups, which constituted the great majority of the population, would have been priced out of the market.

The situation after 1936 was complicated by the Japanese invasion and conquest of the delta in 1937. Japanese military requisitions drained off increasing amounts of the delta's rice crop, and fighting over the area reduced total production and hampered the movement of rice to Shanghai. The city became increasingly dependent on foreign imports of rice, and by 1940 relied almost entirely on what it was able to import from Saigon. The unsettled political situation, in which the foreign settlements remained until Pearl Harbor in theory outside Japanese control but increasingly subject to Japanese influence and threatened with total absorption, encouraged hoarding and speculation. Curtailment of local supplies created an actual shortage, and these factors together resulted in a tripling of the Shanghai price of rice between 1936 and 1941.

Rice riots in the city became frequent, and Shanghai's normal dependence on its local rice supply areas was increasingly borne in upon all of the cities population.

2: Murphy G-4 (no date) 1953 AF15 East China AF15

241 from large Chinese and Japanese cities than in the remainder of the rural districts, into which the green fades off beyond 30 or 40 miles. This is particularly true at Shanghai, and is most clearly seen from the air, but it also strikes the eye on the trip by train from Shanghai to Nanking, or in walking through the country.

Night soil distribution could have provided an automatic increase in crop yields in the immediate vicinity of Shanghai as the city's population grew. In a country where even near the large coastal cities and under a system of relatively commercialized agriculture, chemical fertilizers are beyond the means of the farmers, the heavy use of night soil in the neighborhoods of large cities where it can be purchased at a price even the poorest farmer can afford can be assumed an important factor for agriculture. In the case of Shanghai, it may help to explain the apparent local surplus of rice from the delta which goes to feed the city.

● 722 433 439 The second problem concerns the future. Shanghai up to 1936 had managed to feed itself largely from its local supply areas. During the disturbed war years, virtually unbroken from 1937 to 1949, it was for long periods forced to depend on imported rice, although the inference is still that under normal conditions the local supply areas remain adequate. But can the city continue to grow on this basis, or will the population not eventually outrun the food supply as it has done repeatedly in the past throughout China? Obviously this is a possibility. It would lead to greater dependence on rice imports, and greater use of railways and highways as these expand and become cheaper carriers, to bring rice and other food into the city from longer distances. In the absence of figures and information for the period since the war with Japan comparable even to the inadequate data for the pre-1937 period, we have no reliable basis for judging whether Shanghai has already entered a new phase in this vital aspect of its economic life. As we can measure it, this huge city is a world anomaly in the pattern and mechanics of its food supply, but as China is increasingly drawn into the world economic pattern, with Shanghai leading and accelerating the change as before, this anomaly, like most of its others, will disappear.

2: Murphy G-4 (no date) 1953 AF15 East China AF15

ELEVEN

Shanghai Today and Tomorrow

722 Shanghai, with the rest of China, has lived in a state of nearly unbroken war since 1937. "Normal conditions" has been almost a meaningless phrase since the first Japanese attack on the city in 1932. As of late 1952, the Nationalist blockade and accompanying United Nations embargo continue to reduce Shanghai to a virtual state of siege. For a city whose economy depended closely on free access by sea to a variety of raw materials, producer and consumers' goods, and markets, this situation cannot help but have affected its economic life in fundamental fashion. Shanghai's industrial production and commercial facilities are of the greatest importance to the Communist regime, whose success depends on its ability to raise China's living standards through increased production and easier exchange. As the greatest single producer and exchanger, Shanghai provides tools, machines, and markets for agriculture, transportation equipment, and capital and consumers' goods for the support of a huge economy where such things are otherwise notably lacking.

Since Shanghai's productivity is so vital to the new government, it is understandable that accurate information on the state of the city's economy is difficult to obtain, or difficult to deduce from the mass of propaganda-style news releases on the city in current Chinese periodicals and official statements.[1] The Communist armies occupied on May 27, 1949, a city which had suffered almost no physical destruction, either as a result of the Japanese war or during the civil war and the "battle" for Shanghai (which was in effect fought north of the Yangtze), but whose industrial plant had barely begun to recover its pre-war production levels. In particular, the flow of goods and raw materials into the city by sea was still far below minimum needs, as it had been since at least 1939, due to shipping

[p. 196]

2: Murphy G-4 (no date) 1953 AF15 East China AF15

shortages and to delayed recovery of many of the areas from which the city drew its supplies, especially in north China, where civil war had quickly succeeded international war. 722

The pinch which these conditions imposed on the Shanghai economy was nowhere more apparent or more important than in the case of coal. Coal normally came to the city primarily from north China (Kaiping, Fushun, Shansi, and Shantung), and the acute shortage of this essential and universal raw material slowed Shanghai's industrial recovery to a walk during the four years of Nationalist control from 1945 to 1949.* Other essential supplies were also curtailed, especially industrial machinery, liquid fuels, rubber, chemicals, semi-finished metal goods, and prime movers, all of which normally came to Shanghai for the most part from overseas and had been largely cut off during the Japanese occupation after 1941 as well. Runaway inflation, bred in part of current and forseen shortages, had a disastrous effect on the entire urban economy.

Shanghai's skilled industrial labor force, which before the war had constituted at least half of the China pool, had been dissipated through eight long war years during which many workers migrated to Free China (and to Japan and Manchuria), and technical and managerial personnel were similarly decimated. Inland routes supplying the city were choked off periodically as the civil war progressed. A major part of Communist military strategy was the destruction of railways over which the Nationalist armies could move their originally greatly superior military equipment, and the lines feeding Shanghai were repeatedly cut, both between the city and Nanking, and north of the Yangtze where the interruptions were only slightly less awkward for Shanghai. More importantly, civil unrest and actual fighting in the delta and along the Yangtze recurrently brought water transport there to a halt.

The inland routes the Communists could reopen, and this was 727

* The textile industry enjoyed a brief recovery in mid-1948 (after electric power production had been momentarily restored nearly to its pre-war level), based on the removal of Japanese competition, especially in the southeast Asia market (see Université Aurore, "L'état présent de l'industrie à Shanghai" [1949]. But unlike the earlier boom during and after the first world war, this was extremely short-lived, as the Communist armies closed in on the city in the months before May 1949, and increasingly stifled its vital economic relations with China as a whole.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

AUTHOR'S PREFACE TO THE PRESENT EDITION

On the morning of October 10, 1942, a ship steamed up the Mersey River carrying British and other European repatriates from the Far East recently exchanged for Japanese from the British Empire. For more than three weeks since the ship had left Capetown no radio broadcast had been received aboard. Suddenly down the passages and companionways the voice of the British Broadcasting Corporation was heard. It announced the relinquishment by Great Britain and the United States of the extra-territorial rights held by these countries in China. For everyone on the ship the moment was symbolic. The 18,000-mile repatriation journey's end, at the end of a residence in China, coincided with the end of an era. To those who considered that the special privileges were overdue for abrogation the news was welcome.

Final page proofs of the first edition of this book which had covered the situations it describes down to the middle of 1941, were ready in Shanghai when Pacific hostilities broke out on December 8, 1941. The British printing plant in which it was being published was closed by Japanese orders and remained so until May 1942. Thereafter its operations under Japanese supervision were permitted providing nothing was published without the approval of the Japanese Press Bureau. Consent to the appearance of the first edition was finally given on condition that all references to foreign countries were excised. The final chapter had originally made mention of recent progressive moves in industrially backward countries on the part of Great Britain. These were removed without in any way compromising the thesis of the book. All references to the Institute of Pacific Relations under whose auspices the book was to appear were also eliminated. The publication appeared at the beginning of August 1942, as a document of the Shanghai Municipal Council, but the Japanese Press Bureau would not permit its sale.

For the first eight months after the outbreak of hostilities the Shanghai Municipal Council's Industrial and Social Division went on under my direction. Indeed, some unusual opportunities presented themselves for progressive social developments, arising from the need for emergency measures aimed to control the factors affecting the people's livelihood. I resigned my post to return home, leaving Shanghai on August 17, 1942. For me thus ended a period which had begun in January 1933, during which I had the privilege of building up a

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

CHAPTER I

THE BACKGROUND

648

ON OCTOBER 10, 1942, the governments of Great Britain and the United States announced the relinquishment of their extra-territorial rights in China. The announcement was fittingly made on the "Double Ten Day," the tenth day of the tenth month, anniversary of the founding of the Chinese Republic in 1911. It brought to an end a century of special privileges for citizens of the two countries concerned, and heralded the passing of concessions and settlements. Among these was the International Settlement in Shanghai, where, indeed, at the moment of the announcement, Japanese military exercised actual control. The intention was nevertheless clear that, when the invader had been expelled, the actual government and not only the theoretical sovereignty of the International Settlement in Shanghai would pass into the hands of the Chinese Government.

648
633

The complex administrative composition of the Shanghai which existed in the decade 1933-1942 to which the efforts described in this monograph refer, was well known to students of Far Eastern problems. From 1927 onwards three distinct political administrations exercised jurisdiction over three well-defined areas. The Shanghai Municipal Council, dating from 1845, ruled over the International Settlement, an area of some 8.94 square miles, slightly more than half of which lay north of Soochow Creek and the remainder to the south of it. The French Municipal Council functioned in the French Concession, an area of 3.95 square miles to the south of the International Settlement. Two districts, one west and one north of the Settlement, were known as the Extra-Settlement Roads areas, where the Shanghai Municipal Council owned the roads by right of purchase under treaty provisions, and permitted enfranchised public utilities to use them for transportation and other services, but where the enclaves between the roads were Chinese-administered. Some changes occurred after the outbreak of Sino-Japanese hostilities in 1937 when Japanese military

648
633
722

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

exercised certain controls in the area of the Settlement north of the Soochow Creek. The Western Extra-Settlement Roads area passed in 1942 completely into the control of the Chinese City Government.

The governing body of the International Settlement was the Shanghai Municipal Council, of international membership. From 1930, soon after Chinese members first took seats on the Council, until 1941, it consisted of 14 members. Nine foreign members were elected by foreign ratepayers, and the general convention of its composition—five British, two American and two Japanese members—was observed. Five Chinese members were chosen by representative Chinese organisations. The allocation of seats in no way satisfied Japanese aspirations, and on several occasions they sought to increase their representation. In April 1941 a change was made which gave three seats each to British, American and Japanese members, and widened the basis of representation to include one German, one Dutch and one Swiss member. Four seats were allocated to Chinese members. The newly constituted Council proved a success. It pursued vigorous policies and faced many issues, the solution of which political impotence had previously made impossible. Functions formerly exercised by a ratepayers' meeting passed into the hands of the Council.

The administration of the French Concession was under a French Municipal Council appointed by the Consul-General for France. The Chinese City Government was presided over by a Mayor, appointed by the Chinese Government. The Chinese-administered area in Shanghai was a "special municipality," under direct control of the National Government of China, not of the province of Kiangsu in which it was situated.

Chinese citizens resident in the two foreign-administered areas were subject to Chinese Courts presided over by officials appointed by the Chinese Government. After the withdrawal of the Chinese Government to Chungking in 1938, the judges of the First Special District Court (in the International Settlement) and of the Second Special District Court (in the French Concession) remained unchanged for a time. In 1940 the Japanese-influenced Nanking Chinese Government obtained control over the Second Special District Court. Chungking-appointed judges were replaced in the First Special District Court when Japanese military occupied the

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

but until the occupation of the Settlement by Japanese forces in 1941, this document, the Settlement's constitution as it were, remained practically unchanged. Any change in Byelaws required the consent of a special meeting of ratepayers with a stipulated quorum of the Consular Body in Shanghai, of the Diplomatic Body. Changes in the Land Regulations required approval of the Chinese Government. A Chinese Government which resented the existence of areas alienated from its control refused to contribute to the perpetuation of foreign administration by agreeing to changes in Land Regulations. Thus for several decades prior to 1941 the Council had to proceed under an archaic set of constitutional powers. It possessed no specific power to deal with labour and social issues. After the occupation of the Settlement by Japanese forces and the consequent coming under Japanese direction of the whole Council administration, pseudo-changes in the Land Regulations were considered. No final information is available on this matter, but presumably the form would be gone through of submitting them to a Council which was under Japanese influence, to a compliant Consular and Diplomatic Body consisting of Axis and neutral representatives, and to the Japanese-sponsored Chinese Government in Nanking, whose consent to changes could, it is assumed, be obtained. By this procedure a semblance of legality would be sought. Whether legally obtained or not, the Nanking-staffed First Special District Court in Shanghai would apply byelaws derived from newly assumed basic powers in the Land Regulations.

The Organic Law Governing Municipalities promulgated by the Chinese Government in 1930 by comparison granted wide powers to municipalities created by that Government. In particular, Sub-section 5, Article 8 of this Law gave to municipalities the power to administer and bureaucratically to enforce provisions relating to labour.

Possibly because of the lack of enabling byelaws, but possibly also because concern with industrial and social issues came late in China itself, the Council's consideration of certain types of social problems was late also. It was natural that the first municipal emphases historically were logically on the maintenance of public order through police services; on the provision of public health services in a country where modern ideas of sanitation have lagged

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

A period of reconstruction ensued until the end of 1940. Much of the money of the nearby provinces had found its way into Shanghai banks during the early days of the hostilities. This money early sought employment. There was a building boom in the western district of the Settlement proper which had been free from fighting and which was one of the few areas on the China coast where Chinese industrial enterprises could develop without Japanese control. In 1938 the Government of China retired successively to Hankow and later to Chungking. Many Shanghai Chinese factory owners, while rebuilding in Shanghai, were prepared also to play their part in the industrialisation of interior China which was to be so significant in the succeeding years. Their plants in Shanghai were equally important for the war effort of Free China, however, in the years that intervened between 1938 and the outbreak of Pacific hostilities in 1941. While Hongkong remained open as a port and until through Japanese instigation the Chinese Customs in Shanghai in the autumn of 1941 prevented the export from Shanghai of certain commodities including cotton goods, very heavy shipments month by month left for the south for transport into interior China. Much cargo found its way out of Shanghai by canals and even by human transport, finally penetrating the Japanese lines and reaching the western provinces. The importance of Shanghai as a supply base during almost four years of war can be recognized when the commodity situation in free China in 1942 and later is considered. There were never sufficient consumer goods in the interior even when the trade channels from the coast were open; but the worsening of the situation and the consequent extreme rise in price levels date from the loss of Shanghai products.

In the western district Extra-Settlement area, in the enclaves between Settlement-policed roads, hundreds of new industrial structures began to rise on former vegetable gardens drained by tidal creeks. Over their construction the Shanghai Municipal Council could exercise no authority. These workshops and factories lacked elementary sanitary provisions, and, because the flimsy buildings were of inflammable material, fires were frequent. But as soon as fire had destroyed a building, the indomitable Chinese small industrialist began its reconstruction. Within the limits of the Settlement proper, the reconstruction period was used as far as possible by Public Works and Health Departments, as well as Fire Brigade

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

Because of this wider activity, the Council on October 16, 1940, severed the former Industrial Section from the Secretariat and established a separate Industrial and Social Division.[11] Within the Division there were created four Sections. They were the Industrial Section, maintaining its concern with physical conditions of employment and including the Technical Training Service, which organised technical classes for adult workers; the Statistical Section, responsible for compiling indices of living costs of Chinese and foreign employees, and statistics of wages and hours of work; the Industrial Relations Section, mediating industrial disputes and concerned also with non-physical conditions of employment, including workers' earnings and compensation; and the Welfare Section concerned with hygiene in the factories, workers' food and housing, and factory medical services, with the control of rentals of lower paid sections of the community through a licence to sublet, and with child protection.

In April 1941, an Industrial and Social Affairs Committee of the Council was formed, composed of members chosen to represent varying national interests and differing points of view. There was no representative of Chinese workers upon it. The social outlook of neither Chinese employers nor Western foreign employers had yet seen the right of the worker to have his viewpoint represented; still less would such a view commend itself to Japanese. The most that could be achieved was to inject into the membership sufficiently liberal representatives who could be counted on to speak for the common man.

WHEN PACIFIC HOSTILITIES developed in December 1941, industry, which throughout that year had met successively restrictions and steep surcharges in the use of electric power, difficulties in securing raw materials in the United States and elsewhere, controls in the purchase of foreign exchange to pay for imports, and a great shipping shortage, now faced a major crisis. The Japanese authorities required the immediate registration of stocks of essential raw materials—metals, fuels, lubricating oils, chemical products and many others. These were first frozen by preventing their movement. Those found necessary for the Japanese war effort were requisitioned. Later, permission to move stocks was granted to

[11] In subsequent pages frequently referred to simply as the "Division."

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

471 [439] Sino-Japanese trade associations which were required to be formed for the purpose; no individual firm could make application for permits directly. Unit prices of power were increased by the Japanese-controlled, former American, Shanghai Power Company; coal, though controlled, was difficult to obtain at the official price and was very expensive on the black market. In consequence of all these factors many plants closed. Others still operated but on a reduced scale. Checks made by the Division in the Spring of 1942 indicated that only 55 per cent of former plants carried on, and these with only some 50 per cent of the former working force. Approximately 100 American- and British-owned plants, the most significant enterprises in the city with the exception of the textile mills, came under Japanese control. These were variously dealt with. Some continued operations fulfilling orders for military purposes. These included breweries, bakeries, cigarette plants and rubber shoe factories, as well as machine shops making subsidiary munition parts. Others produced goods for civilian use. Some were operated under direct Japanese control. Others continued to be operated by former foreign staffs under Japanese supervision and instruction.

Industry in Shanghai began to conform to the pattern laid down for it by the Asia Development Board, the instrument of the Japanese military forces of occupation in the economic field. A thorough survey of all plants employing 30 workers or more in the Settlement, of whatever national ownership, was completed by the Japanese Board by June 1942. Teams of experts went into all enterprises to examine the financial structure, the mechanical equipment, the production capacity, the raw materials and finished goods on hand. Thenceforth the Board determined which plants would operate and what goods they would produce.

471 464 466 166 722 The closure of so many plants created much unemployment. Many workers were induced by reduced fare concessions to return to the provinces. There were prolonged struggles on the part of discharged workers to obtain dismissal allowances adequate to finance their return home and to tide them over months in which they might try to adapt themselves to new means of livelihood. Only one month's earnings and a second month's to those who actually returned to the country, were, however, enunciated by the Japanese authorities as a standard, despite the efforts of the Division to secure a better arrangement.[1]

[1] [after December, 1941 -- Analyst]

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

to secure a better arrangement. Indeed, many employees of foreign firms taken over by the Japanese had to accept, under threat, allowances considerably short of this scale.

Thus very soon after the commencement of the Pacific hostilities, the former bustling industrial Shanghai died. The air, once polluted with the smoke of countless chimneys, cleared miraculously. Streets formerly grimed with coal dust became strangely clean. But these were improvements which boded ill for the people's livelihood. To the streets instead came to die many who could not find food or shelter.

Little detailed information is available as to conditions in Shanghai after August 1942. But the social problems of the city are substantially the same whether there is Japanese direction of the former administration or not. The Division will probably be forced during the period of isolation from the outside world, and through the proposed pseudo-changes in the Land Regulations referred to above, to use the Japanese-instructed Nanking Government Courts in enforcement. This may have one useful effect, that of removing those dangers of inequity and lack of evenhanded justice which exist when every factory engaged in the same trade is not subject to the same official scrutiny on the basis of clear regulations. The work of the Division in the last decade has shown that specific formal authority is not essential for useful achievement. The power of accurate facts has been very great. The appeal to reason has not been without result. While industrial conditions at the close of the decade were in many cases still thoroughly bad, within the limits of authority and capacity a not inconsiderable progress had been made prior to December 1941, laying the foundations of improvement in the lives and livelihood of workers in Shanghai.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

the right to know what the situation actually was with regard to 633
the rising cost of living. After Japanese occupation of the environs 466
of Shanghai in 1937, the Council financed the work of producing 511
cost of living statistics begun by the former Chinese City Government. Again quietly and without raising an issue, the Division's figures concerning costs of living of Chinese workers were sent for publication in the *Municipal Gazette,* these statistics appearing monthly from October 1938. Early in 1940, when living costs had begun to rise steeply, and when workers were clamouring for wage adjustments, some operators of larger industrial plants addressed the Council asking that publication of these figures be discontinued. They were "misleading," it was argued, and the cause of unrest among workers. The argument to show the "misleading" nature of the figures was that they could not be correct, because if they were, workers would not be able to live as they did. The fact of the eternal load of debt on most working-class families was incompletely recognised, and met with the objection, "who would lend to workers unable to repay even their old debts?" Continuance of the publication of the figures was, however, ordered, after long discussion in the Council chamber. The Council showed its ability to see the social significance of the statistics. In 1941 the publication of cost of living figures was again challenged, but again was ordered to be continued. In 1942, after Japanese occupation of the Settlement, and the institution of a new currency 633 466 511 722
which the Japanese hoped would hide the continuously rising living costs, a further effort, led this time by Japanese, was made to cut off from the people any accurate information as to the economic situation. Once again the Division succeeded in maintaining publication of the indices even during Japanese occupation.

THE CREATION OF a qualified, devoted Chinese staff was from the 633
beginning considered to be essential and the pivot on which every- 466
thing else would depend. Experienced, wise Chinese men and women with close understanding of problems and with a devotion to people, were sought and challenged to submit themselves to possible misunderstanding of their more nationally minded compatriots by entering the Council's employment. If such persons could be induced to use an administration they did not personally

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

approached for their views on an industrial census, the last-named as to their willingness to supply needed information. With world-wide hostilities raging, the usual reluctance to supply confidential information was enhanced in most national groups. It was necessary therefore to abandon the plan, and in consequence no accurate measuring rod exists with which to assess Shanghai's industry.

During the first half of 1942, the Asia Development Board, the organ of the Japanese Military which dealt with economic questions, undertook a complete study of all industry, of whatever national ownership, with a view to its use in Japan's war effort. The results have naturally not been made available.

The great majority of factories and workshops in the Settlement were, prior to December 1941, of Chinese ownership. The larger plants and those employing the most workers were generally in foreign (Japanese and western) hands; and, of these, western interests owned the comparatively few plants which approximated "heavy industry." In general, foreign-owned plants were modern and well-operated. Except in the textile industry their hours of work were shorter than in Chinese plants. Earnings were somewhat higher also. It is believed that in Shanghai there were some 1,800,000 spindles in 38 Japanese-owned or Japanese-controlled cotton textile enterprises, 240,000 in five British, and 650,000 in 21 Chinese-owned cotton mills.[2] Individual cotton mills employed as a rule from 1,000 to 4,000 workers, some more. There were few other Chinese-owned plants with as many as 1,000 employees, and though a larger number of medium-size Chinese-owned industries existed, many of them were but extensions of domestic industry.

In the absence of sufficient small buildings erected for industrial purposes, hundreds of small Chinese factories and workshops were housed in buildings originally designed as dwellings and converted to industrial use. In the majority of cases, those who worked in these buildings lived in them without sleeping accommodations separate from their working quarters. A workshop by day was a dormitory by night; untying a bedding roll and spreading it out made sleeping quarters of the same few square feet in which the daytime tasks were performed. The housing congestion which is de-

[2] A world total of 145,923,000 spindles was divided in part as follows: China, 4,450,000 spindles (estimated); Japan, 11,502,000; India, 10,054,000; Great Britain, 36,322,000; the United States, 25,378,000; European continent, 50,205,000. (*The Cotton Year Book*, New York Cotton Exchange, New York, 1939.)

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

The experiment could not be carried out to its logical conclusion, however, because after the spring of 1939, when the Japanese instituted controls over the cocoon output in the provinces, it became increasingly difficult to obtain cocoons from these areas. By the end of 1940 only two or three filatures were still operating, and the spring of 1941 saw very few cocoons reaching Shanghai.

DESPITE THE LACK of legal powers, it proved possible radically to reform the manufacture and operation of steam pressure vessels. Prior to 1936, when the institution of controls began, local boiler yards manufactured boilers almost exclusively from metal plate of unknown quality and test, and from designs which did not conform to accepted standards. Neither owners nor workers in the boiler yards had the necessary knowledge for an engineering task requiring special training. The result was that hundreds of initially unsatisfactory boilers had been installed. Regular inspection of them was unknown. Explosions were frequent, at times accompanied by loss of life; and the wonder was that they did not occur almost every day.

In 1936 the Council adopted rules governing vessels and systems under pressure, and for the registration of boiler yards. By the rules all local boiler yards had to employ the services of a Council-approved boiler surveyor who would design and supervise the construction of all vessels. Boilers had to be inspected and registered. Thereafter annual re-inspection was required. A roster of qualified engineers of all nationalities was obtained with the assistance of a specially appointed Boiler Board.

Although the regulations carried no penalty clause, it proved possible to apply them to a very considerable extent. All of the 34 boiler yards in the Settlement were registered, and no boiler after 1936 was manufactured or extensively repaired in them unless a permit therefor had previously been obtained. Qualified boiler surveyors supervised the construction and repair, and submitted copies of certificates describing the metal plate used. Considering the steep rise in the price of imported steel during those years, a result of higher world prices and the lower exchange value of the Chinese dollar, it is noteworthy that tested steel became universally used in pressure vessels manufactured in the Settlement.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

The depression into which industry fell following the outbreak of Pacific hostilities rendered even more difficult the task of obtaining any improvements. The cost of raw materials rose steeply. It was beyond the financial power of factories which could continue operations to buy sheet metal at greatly enhanced prices for machine guards. Even timber reached a price where its purchase was almost impossible. The smallest alteration to a building to render it more suitable cost considerable sums, for, in addition to an increased cost of materials, labour costs greatly increased. Certain commodities were quite unobtainable. To install an exhaust fan cost a large amount. To raise the height of a chimney would in some cases eat the profits of a month's operations.

Obviously progress in the physical betterment of industrial conditions must be measured in decades, not in years. It is dependent on a restoration of the political sovereignty of China; for only with this can there be a sufficient improvement of the economic situation to secure among the industrialists at large a conscious aim of providing more suitable premises, more adequate safety measures, better hygiene, shorter working hours, and all the other factors which contribute to the provision of a better life for workers.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

466 standard of the law. In 1941 one enterprise paid the equivalent of nine months' wages. In 1934 a case reached the Court which awarded only the dismissal allowance as provided by the law, but ordered payment of ten months' wages during strike—as the period during which workers refused to accept the conditions of discharge was called. The amount paid usually did not exceed two or three months' earnings. When this was exhausted there was no further fund on which to draw.

464 While in some cases workers clung to the opportunity to work
466 by all possible means, refusing to accept discharge, in other cases there was an indifference to loss of employment which can only be explained by the fact that its conditions were such that its loss was not regretted. Many enterprises complained of a great labour turnover. This was particularly true in cotton textile mills where, though no accurate figures are available, the movement in and out constituted in some cases a traffic. A twelve hour day or night might well engender a feeling that loss of the opportunity to work so long was indeed little deprivation. Earnings, too, in many cases were not sufficient to be the cause of struggling to keep an employment which did not reward more completely. There was need of realization by employers that some of their troubles of labour turnover would have disappeared with more favourable, not to say more reasonable, conditions of work and rewards.

633 Following the outbreak of Pacific hostilities, many enterprises had to close. The question of discharge allowances was then one
466 which affected simultaneously many workers and many factories.
722 The Division exerted every effort to have a uniform and adequate basis of discharge allowance announced, and in a memorandum to the Japanese authorities pointed out the cost of living and the social significance of giving as generous a sum as possible in the absence of any unemployment insurance. Japanese financial authorities, however, refused to permit the announcement as a principle of more than one month's pay as discharge allowance, with a second month's if the worker left Shanghai, the amount to be payable at destination. Even this meagre amount the Japanese supervisors of some former foreign-owned plants would not permit: in some

---

Article 29: Factories which terminate a contract in accordance with the provisions of Article 27 shall pay the workers, in addition to their regular wages, half of the wages due for the period of notification as stipulated in the said Article.

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

cases a mere $50 was forced on workers and their protests were given no attention. Former foreign owners whose funds were frozen in banks were powerless to help, though in many cases anxious to do so. Many Chinese owners, on the other hand, having access to their funds, made pay-off allowances considerably in excess of the standard which the Japanese permitted to be announced. Some paid six months' earnings. Most of the disputes which the Division mediated in the first half of 1942 were associated with discharge allowances.

THE COMPLETE COLLAPSE of all former earnings standards which resulted from the Pacific war has brought untold suffering. At the time when currency stabilisation will again be effected after Japan has been defeated, it will be well to give some consideration to the relation between earnings and cost of living. New standards of industrial earnings could be set in the reorganised currency, earnings based on careful studies of what it costs to maintain a family on a nutritionally adequate diet. This is not impossible, as subsequent chapters dealing with food and nutrition will attempt to show. Without greatly increasing the cost to the people, and without basically changing the Chinese diet, it should be possible through administrative action to eliminate frank deficiency diseases and to secure freedom from less obvious but real malnutrition. If there is some additional cost, earnings should be adjusted to meet it. Earnings in Shanghai's industry should no longer be determined solely by the fact that earnings on the land nearby are low: indeed, it is hoped that farm earnings also will rise. The excellently equipped cotton mills in Shanghai which will be restored even if they are in part destroyed upon Japanese withdrawal should not be operated in world competition with workers paid less than a subsistence wage. The concept formerly held that wages of principal wage earners could remain low since a second member of a family worked as a rule should find no place as a basis for setting standards of earnings. If no other good can come from the great suffering of the Chinese people in their many years of war it is to be hoped that the shaking to the foundations of old and inadequate standards may, when stabilisation comes, bring with it some new attitudes to what is due to workers. In the industry and quality of her people China has inestimable

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

CHAPTER VIII

FOOD AND NUTRITION

AT A TIME WHEN Shanghai is militarily occupied following the outbreak of Pacific hostilities, and its food supplies subject to willingness of the Japanese military to provide them, one is apt to think of the problem of food entirely in terms of whether or not there will be any at all. From the moment of the commencement of hostilities in August 1937, the question of food supply held the concern of the Settlement authorities. Two days after the first shot was fired in the Shanghai area, the Supplies Committee of the Shanghai Municipal Council met and through the intervening years dealt with the problem actively and continuously.

The problem at first was what the city would do when it was cut off from its hinterland, the rice-producing area; when fighting moved back into the provinces and destroyed the autumn rice crop; when rice boats would no longer bring rice to the city. In 1932, when there had been five weeks of fighting in the Shanghai area, rice boats had feared to come into the city, and trucks had been sent out to meet them beyond the fighting zone, to bring in needed food. Rice, which then usually sold at $10 to $12 per *shih* (172 pounds), rose to the high price of $17 to $18 because of fear of shortage, and fell with what at that time seemed a dramatic drop when the supplies were brought in and the feared shortage did not eventuate. Those who had planned the small adjustment needed in 1932 found that more drastic measures were necessary in 1937 and later.

The provinces nearest to Shanghai are rich rice-producing areas. Through part of Kiangsu province winds Soochow Creek, and from Chekiang province into Kiangsu flows the Whangpoo River, to meet in Shanghai. Down both of these waterways in normal times came a succession of large rice boats, and from Wuhu above Nanking on the Yangtse River larger steamers laden with grain. In general it was a simple trade. Rice was sent on consignment to rice merchants in Shanghai, and payment was later made to the interior

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

438 chiefly in the form of the city's cotton textiles, soap, cigarettes,
262 matches, and rubber shoes. In addition, through importing firms,
722 a certain amount of foreign rice arrived, usually from Indo-China; but Saigon rice was considered inferior, and Chinese rice was preferred when it was available.

It was obvious that when the city was surrounded by Japanese troops, its waterways could no longer be used for the transportation of rice. Immediately after the outbreak of hostilities the Shanghai Municipal Council placed orders in Saigon for 7,000 tons of rice, and chartered ships to bring it to the city. But because fighting was taking place across the Whangpoo River, the ships would not enter it, and it was necessary to send steel lighters by tug out into the Yangtse mouth to off-load the rice. This rice, stored in godowns all over the area south of Soochow Creek, was available when in November 1937, the expected severance of supplies from the interior occurred.

It was then hoped, as time went on and hostilities were removed further from the neighbouring provinces, that normal trade relations with the hinterland might be restored. For a time rice did come into the city in fair quantities. But increasing controls exercised by the Japanese military, who gave Japanese firms the privilege of collecting rice with reservation for military use, and increasing difficulties of obtaining rice in the growing districts due to various factors, by 1940 compelled Shanghai to rely almost en-
511 tirely on rice imported from Saigon. The steep rise in cost of living
439 in Shanghai dates from the commencement of dependence on for-
722 eign sources. It was tragic that Shanghai should be tied to foreign exchange in order to feed its population at a time when the exchange value of the Chinese national currency was falling.

Other factors soon intruded. Freight rates and insurance charges rose month by month following the outbreak of the European war and added their share to the increasing cost of imported rice. But the situation was to become even worse. During the autumn of 1940 Japan was engaged in gaining control of northern Indo-China, with the result that after early February 1941, no orders for rice would be accepted in Saigon until the Japanese demand for 700,000 tons had been met.

722
262 WHERE, THEN, WAS Shanghai to get rice? Renewed efforts to obtain
438 rice from Chinese provinces near Shanghai failed. Prior to the sign-

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

ing of the treaty with Nanking on November 30, 1940, it was announced that high Japanese military authorities in Nanking had agreed that, subject to meeting the needs of the army and with certain other reservations, rice collection should be a function of the Chinese authorities. Actually little Chinese rice was made available to Shanghai.

There were ample stocks of rice in Burma, but there were no ships to bring it to Shanghai. This was well known, not only to rice dealers in Shanghai, but to the general public. Therefore, despite the presence of a large reserve supply in the warehouses of the city, the retail price of rice rose at an accelerating rate until in May 1941, as a result of private profiteering and public fear, it reached the till then unprecedented height of $145 per *shih*.

It can readily be understood that with such difficulties in feeding the Settlement, major emphasis had to be placed on ensuring supplies. Even though high prices were undesirable, it was important that there should be supply at any price. Rice riots have occurred more than once since 1937.

The distressing effects of high prices were illustrated by the practice of "rice sweeping" (and, indeed, the snatching of other commodities such as raw cotton) which became a frequent sight in the city as a consequence of the rising prices. When a truckload of rice halted at a traffic intersection, a dozen waifs, adult and adolescent, appeared from nowhere, moving like lightning. In a twinkling one or more rice bags were pierced with knives, and as the precious grain began to run out, it was scooped swiftly with the dust of the roadway into a receptacle. The "sweeper" would often disappear before any police could act. But if caught, he or she appeared next morning in the First Special District Court, that busy court which dealt with an average of 10,000 cases each month. Detention followed; but the need that prompted the snatching remain unfilled.

ALTHOUGH IN THE CRISIS of 1937 the Shanghai Municipal Council had intervened to bring rice to Shanghai, it had no desire to interfere with the normal trade in rice unless forced by circumstances to do so. When faced with the crisis in March 1941, therefore, the Council decided that it would charter ships, possibly with the assistance of the British Admiralty. Space could then be sold to rice importers. At the end of March the Council announced this intention and appointed a special committee of businessmen under

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

should be granted only through the Council; and the Council in turn would allot it only to those merchants who would sell to retailers at a price fixed from time to time by the Council. As a means to control the final sale to the people, the Council sought and obtained from the Consular Body approval of a Byelaw empowering it to control prices at retail. On November 9, 1941, a Proclamation fixed the retail price of all imported rice at $130 per *shih*. The registration of all stocks of rice and flour was called for, and all movement of these commodities without a permit was forbidden as a means to keep them under control.

THIS WAS THE FOOD situation when Pacific hostilities supervened on December 8, 1941. It was fortunate that controls over essential commodities had begun, for there was thus in being the nucleus of what was, within six months, to become an extensive organisation controlling the issue and price of rice, flour, and other commodities. The Council had even, before December 8, examined in some detail what would be involved in rationing.

Soon after the opening of 1942, the Council issued a notification requiring holders of stocks of imported rice and of flour to deliver them against delivery orders issued by the Council, thus requisitioning at a fixed and fair price the stocks which the city held. It proved fortunate that in the early months of 1941 the hope of gain had induced many merchants to import large stocks of rice, for these proved sufficient to meet the needs of the Settlement and Concession at the reduced consumption rate required by the Japanese authorities during the first five months of the year. Indeed, in this outcome lay some justification for the lack of earlier rigid price controls which might have acted as a deterrent to importers. Stocks of native rice were not taken into consideration since, as has been shown above, the Japanese military had controlled the collection of native rice for the previous two years, using it for their own purposes and allowing virtually none to reach Shanghai.

The methods used in the spring of 1942 for the husbanding of precious stocks of imported rice were: reduction in the number of shops licensed to sell rice, fixing the number of days on which rice could be bought at three each week, limiting the selling hours on these days and reducing the amount of each sale to one *shun* (1.72 pounds) to any one person. There were in consequence long rice

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

queues, and the great urge to obtain rice and fear of being without this staple caused those standing in them to crush closely against the next in line. There were frequent cases of injuries despite the efforts of the police to control the lines. Because of this situation, "rice rustlers" stood in the queues, securing the amount permitted to be bought, which they then sold at more than the official price. It was a relief when the plan for the issue of rice ration tickets finally was approved by the Japanese authorities and was put into effect in July 1942. The distressing rice queues disappeared.

The price of rice rose steadily in the months after the institution of control. The difficulty of getting rice in the queues induced farmers in the nearby countryside to smuggle in native rice which was sold at high prices up to CNC$550 per *shih* of 172 pounds. The Japanese authorities requested the Council to forbid the movement of native rice in the Settlement, as a means, it was claimed, to bring down the price in the provinces. The Japanese authorities had to buy rice there, and, it was argued, the high prices ruling in the city induced higher prices in the provinces. It was contended that Shanghai's future rice supply, when the stocks of imported rice should be finished, must come from the provinces, and it would be to the ultimate advantage of the Settlement population if the purchase could be on reasonable terms. It was known, however, that the native rice must be considerably higher in price than the imported rice when it finally came to be supplied, and therefore at intervals the price of imported rice was raised to ease the ultimate transition to the native rice price, and to build up a fund in the Council's treasury to permit native rice to be sold at a loss if need be. Japanese authorities made available some, but not sufficient, rice from May 1942, when the stocks of imported rice were used up.

The fixing of the saleable quantity and of the price of rice and flour and flour products such as noodles, *ta ping* or big flour cakes, and many other items was only part of the emergency measures undertaken to secure essential commodities. Before Pacific hostilities developed, through an Association of Importers and Manufacturers, the prices of several hundred packaged goods, foods and drugs chiefly, were fixed. Fixing of the prices of coal and coal briquettes followed. Prices for milk were declared. Stocks of tinned milk were requisitioned and kept for children and invalids. It was

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

a matter of regret that control of vegetable oils, so important in the cooking of a Chinese family, could not be exercised by the Council. The Japanese regarded these commodities as materials of war. But stocks found their way uncontrolled into the market. In the case of sugar also, the Council was not permitted by the Japanese authorities to exercise controls.

The cost of living continued to rise despite the efforts of the Council to control the prices of the most significant items as indicated in the preceding paragraphs. The rise was particularly evident when, toward the end of May, Chinese National Currency depreciated day by day till two national currency notes were equal to one Central Reserve Bank note issued by the Nanking Chinese authorities. Prices then naturally rose in terms of Chinese National Currency. When, in June, it was announced by the financial authorities that Central Reserve Bank notes would henceforward be the only legal currency, most shopkeepers merely altered the enhanced National Currency prices unchanged into prices expressed in Central Reserve Bank notes, automatically doubling them. The Council attempted to halt this process by issuing a notification that prices should not exceed those of the last week in May, but with little success. Shopkeepers claimed that replacement costs would exceed the prices of the end of May.

It became apparent therefore that extensive machinery to examine the fair selling prices of a wide range of commodities must be set up. Prices for many food items, including milk, were carefully examined: the selling prices for woollen, silk and cotton cloth of standard grades, and of shoes, were studied: and many other items and services came under close scrutiny.

To enforce selling at official prices, the selling of permitted quantities, to penalise those who refused to sell, who did not display price tags, who moved goods without a permit or without a valid permit, or who did not comply with other emergency regulations, some enforcement machinery had to be set up. For a time after December 8, 1940, the Court, formerly staffed by Chungking-appointed judges, did not function. Later it was taken over by Nanking authorities. But enforcement of emergency requirements could not await the re-opening of the Court, nor, it was felt, could the already overworked Court handle the many cases of infraction of new regulations. Accordingly an enforcement machinery was

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

466
633

was built up. Competent officers were in charge of Sections. A foreign engineer in the Industrial Section, with foreign and Chinese inspection staff, added daily to their knowledge of industrial processes and did what could be done to improve working conditions. Chinese mediation officers in the Industrial Relations Section built up a technique and relationships with both workers and employers. A Chinese statistician, with a staff of assistants, calculated the cost of living indices month by month, and forged instruments to gauge the relative economic position of workers from time to time. And a Chinese woman welfare officer developed, with trained Chinese social workers, programmes in industrial and social welfare including child protection.

Many fundamental issues were not faced by the authorities. Largely this was perhaps because the Council was unduly obsessed by a sense of its lack of constitutional powers. But in imagination it lagged behind the Division—its administrative arm—in making resort to procedures of education and persuasion where force was lacking. Perhaps it was thought politic to leave to the pragmatism of departmental practice—by trial and error—what seemed precluded from enunciation in terms of policy. There was never a Council decision, for example, as to what should be the length of the working day, or how many rest days workers should have each month. No Council committee debated what minimum standards should be recommended to industrial enterprises. Latterly, because of the great rise in living costs, the Council paid close attention to the basis of the people's livelihood; but it did not consider whether any other influence than the publication of facts about the cost of living should be exerted to obtain more adequate wages for workers.

If low standards of employment were in part the result of insufficient capital, this fact should have been recognised. It was not beyond the capacity of Shanghai to supply capital for co-operative enterprise with better conditions of work. A procedure for mediating in disputes existed but its functions were not discussed by the authorities. The attitude of the Council toward labour organisation was not defined, although labour's group activity and power were extensive, even if inchoate. Much more remained to be done in Shanghai.

● 722 AT THE TIME OF writing almost complete silence rules as to the situation in Shanghai as in other parts of Japanese-occupied China

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

and East Asia. What the social situation is, is unknown. In Free China, which has been deprived of its contact with the outside world by the usual transport means and is dependent only on an air service over a difficult route from India, there is great social distress. A serious inflation has gravely reduced the former modest standard of living, and the time of deliverance seems far in the future. Yet throughout, the Chinese Government has referred to the war against Japan as the dual one of "resistance and reconstruction." There can be little doubt that when the period of resistance ends, the plan of reconstruction holds within it the aim of restoration to the people of that standard of living and its improvement as the years go on.

The renunciation of special rights in China by the United States and Great Britain has meant for these powers that they have given up the share they possessed in the administration in Shanghai. Other powers may be expected to follow suit, and for those that do not the issue will not be one within their power to influence. Thus when the invader shall have been driven out, the Shanghai of the future will be in the hands of the Government of China. None will rejoice in this development more than those who have in the past had part in the administration of the Settlement and who have looked forward to the time when the work being done would gear into the plans of the government of the country. If the ten-year experiment which is herein described has within it any germ of a social programme for the city of the future, those who took part in it will have been fully repaid. They have already had their rewards in the comradeship of the joint endeavour, the working together with able Chinese colleagues and the close co-operation which was achieved with both Chinese employers and workers.

In sum and in retrospect, despite the large task still unfinished, cut short by the necessity to dissociate from a Council which had become Japanese-controlled following December 1941, certain fundamentals have emerged from the decade of work. The opportunity to pursue an administrative social programme, despite the lack of specific power, for so long a continuous period as ten years, is something which has importance in itself. The Chinese Government which in the decade 1927-37 laid its foundations and had, particularly in the last five years of this time, made such real progress, was unable to remain at its peace-time task and had to

3: Hinder G-5 (1933-1942) 1944 AF15 East China AF15

633 embark on a desperate war of resistance, involving withdrawal to the interior. The steps which it has taken to organise its resistance 722 are, it is true, parts of its total future plan in many respects, but events have not permitted its Ministry of Social Affairs to give continuous and uninterrupted attention to administrative steps designed to achieve social betterment.

000 WHAT ARE THE FUNDAMENTALS which have emerged from the Shanghai experience? Are there any results which are important for the future? Is the organisational pattern which was evolved year by year a useful one from an administrative point of view? What should be modified? What services should be added? In the last resort, on what does successful social effort on the part of the authorities rest? What should be the relation between workers' organisations and the administration? How can the administration assist in the bringing in of suitable employment patterns which will assist in the development of free workers? What is the responsibility of the administration in aiming at more adequate housing? in securing better nutrition? in providing medical care? in caring for its children?

The answers to these questions, to the extent that answers may be ventured based on a decade of experience, have, it is hoped, been indicated in the preceding chapters. They can perhaps be summarised here.

The organisational pattern which was worked out was useful for a city administration of the time and circumstances of the Shanghai of the decade 1933-42. But a Department of Social Affairs in a City Government in the future will, of course, have a direct relation to the relevant Ministry in the National Government. Its policies and programmes must be those of the National Government, enforcing the laws and regulations of the Government, existing and to come. Though complete information is not available of the plans of the Ministry of Social Affairs for the future, some knowledge of its wartime policies and programmes indicates some of the directions which a future city government must travel. There is a considerable body of labour law waiting to be enforced. A Labour Bureau will need to be established which should have sections dealing with factory inspection and industrial welfare; with industrial relations—contact with employers' and